



# UNION BUDGET

# 2020

*Lunawat & Co.*  
Chartered Accountants

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**DIRECT TAX PROPOSAL****CHANGES IN TAX RATES****1) Section 115BAC: New Tax Slabs for Individuals and HUF**

This section provides an option to Individuals and HUF to compute the tax liable on income earned at the rate and as per the procedure mentioned below:

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

The income shall be computed as per the provisions laid below:

(A) Following deductions or exemptions must not be availed while opting for this new tax slabs:

1. House Rent Allowance as referred in the Section 10(13A).
2. Special allowance not in the nature of perquisite incurred to meet the performance of duties by officer. {Sec. 10(14)}
3. Daily allowance or any other allowance as mentioned in the section provided to the members of Parliament. {Sec. 10(17)}
4. Exemption of Rs. 1,500 granted to parent for clubbing income of minor. {Sec.10(32)}
5. Travel concessions received by the employee from the employer as per the conditions referred in the Section 10(5).
6. Special Rebates and Deductions for SEZ's. {Sec. 10AA}
7. Deductions from salaries (including Entertainment Allowance, standard deduction of Rs. 50,000 etc.) as per the Section 16.
8. Deduction of Interest on Borrowed Capital on Rented House property under Section 24(b).
9. Deductions with respect to depreciation on the block of assets of the entity as mentioned in the Section 32(1)(iia).
10. Additional Deduction of 15% of assets WDV to set up a unit in notified backward area u/s 32AD.

11. Deduction with respect to Tea , Coffee and Rubber units as prescribed under Section 33AB
  12. Deduction as provided to Mining and Exploration companies in contract with government subject to conditions as specified in Section 33ABA
  13. Deductions as provided to Scientific Institutions on various expenditures as specified in Section 35.
  14. Deductions with respect to expenditure of certain specified business as prescribe in the Section 35AD.
  15. Deductions as provided for agricultural Extension Project according to the Section 35CCC.
  16. Standard Deduction in relation to family pension u/s 57 (iia)
  17. Any other deductions and Exemptions under Chapter VI-A except u/s 80JJAA and 80CCD (2)
- (B) Also set off loss of the following shall not be allowed:
- (a) Carried forward of loses and deprecation of previous years only which had been attributed due to any of the deductions mentioned in clause (A) above
  - (b) Loss from house property from any other head of income

**The loss and depreciation of this section will not be allowed for any subsequent year. However there are some exceptions:**

- Depreciation Allowance in respect of block of assets, whose benefit has not been fully utilized till 31st March 2020, shall be allowed to depreciate the rest of amount of such allowance on 1st April 2020.
  - The depreciation as per the section 32 shall be allowed while opting for this option. (Except Sec. 32(1)(iia) as mentioned above)
- (C) Any other perquisites or allowance provided under any other law shall not be deducted.
- (D) In case of Unit situated in International Financial Services Centre, deduction u/s 80LA shall be allowed.

The person is allowed to claim this section only if he avails the option in the following prescribed ways:

- Such options once exercised by persons having business income before the due date of return of income u/s 139(1) in any year on or after the Financial Year 2020-21 shall apply the option to subsequent assessment years
- Such options exercised by persons without business income, till the due date of their return of income, can opt for this regime for any year.

For person having business income, this section once withdrawn in any subsequent year, once after opting it in any previous year, the person will not be able to avail this option again in the subsequent years.

## **2) Section 115BAD: Tax on income of certain resident Co-operative Societies**

This section provides an option to resident co-operative societies to compute their income tax payable at the rate of 22% from the Financial Year 2020-21

- (A) To avail this option the income of Co-operative Societies shall be calculated without giving effect to the following exemptions/deductions:
1. Special Rebates and Deductions for SEZ's [Sec.10AA]
  2. Deductions with respect to depreciation on the block of assets of the entity as mentioned in the Section 32(1)(iia).
  3. Additional Deduction of 15% of assets WDV to set up a unit in notified backward area. [Sec. 32AD]
  4. Deduction with respect to Tea , Coffee and Rubber units as prescribed in the Section 33AB.
  5. Deduction as provided to Mining and Exploration companies in contract with government subject to conditions as specified in Section 33ABA.
  6. Deductions as provided to scientific Institutions on various expenditures as specified in section 35.
  7. Deductions as provided for agricultural Extension Project according to the Section [Sec. 35CCC]
  8. Deductions with respect to expenditure of certain specified business as prescribe in the section [Sec. 35AD]
  9. Any other deductions and Exemptions under chapter VI-A except u/s 80JJAA.
- (B) Set off loss of the following shall not be allowed:
1. Carried forward of losses and depreciation of previous years only which has been attributed due to any of the deductions mentioned in clause (A) above.
  2. Loss from house property from any other head of income. The loss and depreciation of this section will not be allowed for any subsequent year.
  3. The loss and depreciation of this section will not be allowed for any subsequent year. However there are some exceptions:
    - Depreciation Allowance in respect of block of assets, whose benefit has not been fully utilized till 31st March 2020, shall be allowed to depreciate the rest of amount of such allowance on 1st April 2020.
    - The depreciation as per the section 32 shall be allowed while opting for this option. (Except Sec. 32(1)(iia) as mentioned above)
- (C) Any other perquisites or allowance provided under any other law

### **Exception:**

This Section provides exemption of all the above mentioned disallowed deductions and exemptions to units situated in International Financial Services Centre as per Section 80LA

The person is allowed to claim this section only if he avails the option in the following prescribed ways:

- Such options once exercised by persons having business income before the due date of return of income u/s 139(1) in any year on or after the Financial Year 2020-21 shall apply the option to subsequent assessment years
- Such options exercised by persons without business income, till the due date of their return of income, can opt for this regime for any year.

For person having business income, this section once withdrawn in any subsequent year, once after opting it in any previous year, the person will not be able to avail this option again in the subsequent years.

**3) Section 115-O- Tax on distributed profits of domestic companies:**

Dividend distribution tax (DDT) would not be applicable from 1st day of April, 2020.

**4) Section 115BBDA - Tax on certain dividends received from domestic companies if dividend exceeds 10 lakhs.**

On similar lines, with the removal of Dividend Distribution Tax, u/s 115BBDA wherein dividend exceeding Rs. 10 lakhs were taxed would be not effective after 31st March 2020.

(Effective from 01.04.2021)

**5) Section 115R- Tax on distributed income to unit holders.**

Also tax on distributed income to unit holders would not be applicable from 1st April 2020.

**Tax Deduction at Source (TDS)**

- 1) Section 194** is being amended to provide for a TDS deduction @ 10% by a company before making any payment of dividend by any mode if the amount of dividend exceeds Rs. 5000. Earlier the required to deduct TDS at the specified rate if the amount of dividend exceeds Rs. 2500.

(Effective from 01.04.2020)

- 2) Section 194A** is being amended to provide a cooperative society having turnover exceeding Rs. 50 crores during the financial year immediately preceding the financial year in which interest is paid and the amount of interest, is more than Rs. 50000/- in case of payee being a senior citizen and Rs. 40000/-, in any other case require to deduct TDS on the interest amount as per the provisions of this section.

(Effective from 01.04.2020)

- 3) Section 194C** is being amended to cover individual or a Hindu undivided family or an association of persons or a body of individuals has total sales, gross receipts or turnover from business or profession carried on by him exceeding one crore rupees in case of business or fifty lakh rupees in case of profession. Earlier the same is required to deduct the TDS if they are liable to audit of accounts under clause (a) or clause (b) of section 44AB during the financial year immediately preceding the financial year. Similar change for requirement for TDS applicability has been made in Sections 194A, 194H, 194I, 194J and 206C too.



Also definition of "Work" is amended to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the 'work' under section 194C. Associate is proposed to be defined to mean a person who is placed.

(Effective from 01.04.2020)

- 4) **Section 194J** is being amended to provide two rates of TDS in order to reduce litigations. TDS in case of fees for technical services (other than professional services) to 2 % from existing 10%. The TDS rate in other cases under section 194J would remain same at 10%.

(Effective from 01.04.2020)

- 5) **Section 194K:** This new section provides that TDS at 10% shall be deducted by a person responsible for paying to a resident any income by any mode in respect of units of a Mutual Fund or units from the administrator of the specified undertaking or units from the specified company at the time of payment if the amount exceeds Rs 5,000/-.

- 6) **Section 194LBA** has been amended to increase the rate of TDS from 5% to 10% in case of dividend paid by a business trust to a non-resident (not being a company) or a foreign company.

7) **Section 194LC**

This section has been amended to provide that TDS on interest on monies borrowed by an India Company by issue of any Long term bond or rupee denominated bond shall be deducted at **4%**.

Such money should be borrowed between 01.04.2020 and 01.07.2023 and such bonds should be listed on a recognized stock exchange located **in any international financial services center**.

Further, the period of said concessional rate of TDS of 5% is being extended to 1st July, 2023 from 1st July, 2020.

- 8) **Section 194LD** deals with the TDS Liability of the Assessee who is paying Interest on Rupee dominated bonds, Government Securities to a Foreign Institutional Investor or Qualified Foreign Investor on or after 1st June 2013 but before 1st July 2023 (earlier 2020).

- The applicability of the section has been extended to investment in Municipal Debt Securities (as per SEBI Act, 1992), where the interest has been paid on or after 1st April 2020 but before 1st July 2023.
- Rate of TDS remains same at 5%.

(Effective from 01.04.2020)

9) **Section 194-O: Payment of certain sums by e-commerce operator to e-commerce participant.**

- **Applicability:** E-Commerce Operator for the sale facilitated/ executed via its platform including digital or electronic facility.
- **Time of Liability:** The operator is required to deduct tax at the time of credit of amount of sale or service or both to the account of participant's account or at the time of payment whichever is earlier.
- **Rate of TDS:** 1% of the gross amount of such sale or service or both.



- **Threshold Limit of TDS:** Where individual/ HUF has furnished its PAN or Aadhar Number and the total Sale or service or both in its account doesn't exceed Rs. 5,00,000 shall not attract TDS Liability.
- **Notes:**
  - Once the Transaction has been considered for TDS Liability under sub- section of 194O(1) or is exempt from TDS due to virtue of Section 194-O(2), the same shall not be liable to TDS under any other provision of this Chapter.
  - Provisions of this Sub Section shall not apply to any amount or aggregation of amount received or receivable by an e-com operator for hosting advertisements or providing any other service as mentioned in sub section (1) w.r.t sale or services or both.
- **"Services"** for purpose of this Section shall include **"fees for technical services"** and **"fees for professional services"** as defined in Explanation to Section 194-J.

(Effective from 01.04.2020)

- 10) **Section 195**, which is applicable to payment made to Non-Resident, has been amended to delete the Dividend Distribution Tax liability under the section.

(Effective from 01.04.2020)

- 11) **Section 196D** has been amended to clarify that payments, of Income payable to a Foreign Institutional Investor, made by any mode (earlier by cash or by the issue of a cheque or draft or by any other mode) shall be subject to TDS at the rate of 20%.

Further, Dividend Distribution Tax liability under the section has also been deleted.

(Effective from 01.04.2020)

- 12) **Section 197** has been amended to include new section 194-O for grant of Certificate for tax deduction at lower rate.

(Effective from 01.04.2020)

- 13) **Section 203AA** shall stand withdrawn from 1st June, 2020.

- 14) **Section 204**, which defines the expression "Person Responsible for Paying", which has been extended to explain that in case of a Non-Resident in India, the "Person Responsible for Paying" shall be the person himself or any person so authorized by such person or the agent of such person in India including any person treated as an agent under section 163.

(Effective from 01.04.2020)

- 15) **Section 206AA** has been amended to clarify that if the TDS liability arises due to Section 194-O, the higher rate of 5% shall be levied instead of 20% for not providing PAN for the purpose of TDS deduction.

(Effective from 01.04.2020)

**Tax Collection at Source (TCS)****1) Section 206C has been amended with following:-**

Particulars	Seller	Time of Deduction	Amount	TCS Rate
Remittance given out of India	Authorized Dealer of Foreign Exchange	Debit in the books of accounts or receipt of payment, whichever is earlier	7 Lakhs	5%
Buyer of Overseas Tour Package	Seller	Debit in the books of accounts or receipt of payment, whichever is earlier	-	5%
Sale of any goods to buyer	Seller (Turnover exceeding Rs. 10 Crore)	At the receipt of Payment	50 Lakhs	0.1%

Provided if PAN or Adhaar Number is not provided by the buyer, collection of 1% rather than 0.1% shall be made.

Here seller is a person who's turnover for previous exceeds Rs.10 Crore.

**Charitable Institutions****1) Section 11**

Scope of section 11 has been amended to include the trust registered under 12AA or 12AB.

For entities registered under 12AA/12AB, option to claim exemption u/s 10 (46) or 10(23C) is not be allowed, hence the necessary amendments to section 11 has been made. If assessee has registration under S. 12A as well as S. 10(23C) or S. 10(46), then registration u/s 12A would become inoperative from the date registration u /s. 10(23C) or S. 10(46) was made from the commencement of this provision.

**2) Section 12AB: Procedure for Fresh Registration.**

- Principal Commissioner or Commissioner shall be authorized to grant exemption under this section.
- Exemption shall be granted on receipt of an application made under the proposed **clause (ac) sub clause (i),(ii),(iii),(iv),(v) of section 12A**

Sub-Clause	Particulars	Time Limit for making application	Time for Granting Registration
(i)	Where the trust or institution is registered under section 12AA (as it stood immediately before its amendment by the Finance Act, 2020)	Within 3 months from the date on which this clause has come into force	3 months from the end of month in which application was received

(ii)	Where the trust or institution is registered under section 12AB	At least 6 months prior to expiry of the said period;	6 months from the end of month in which application was received
(iii)	Where the trust or institution has been provisionally registered under section 12AB	<ul style="list-style-type: none"> <li>– 6 months prior to expiry of period of the provisional registration or.</li> <li>– within 6 months of commencement of its activities,</li> </ul> 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 6 months prior to the 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 30 days from the date of the said adoption or modification	
(vi)	In any other case	At least 1 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 u/s 12AB	1 month from the end of month in which application was received

- The authority shall send a copy of order passed, to the trust or institution, for registering the trust or institution for a period of 5 years for trusts already registered as per sub-clause (i) above.
- For applications as mentioned in sub-clause (ii) to (v) in the table above, after satisfying himself by making of enquiries or call for documents or information call for documents or make enquires for the genuineness of the trust or institution, shall grant registration for a period of 5 years.
- The Authority shall pass an order provisionally registering of the trust or institution for 3 years in other cases mentioned under sub-clause (vi).
- All pending applications u/s 12AA shall be deemed to be applications under sub clause (vi) of clause (ac) of section 12A as mentioned in above table.

(Effective from 01.06.2020)

### Exemptions

- 1) **Section 10(23FE) inserted** to exempt specified income of Abu Dhabi Investment Authority and Sovereign Investment Fund.
- 2) **Section 10(48C) inserted** to exempt any income of Indian Strategic Petroleum Reserves Ltd.
- 3) **Section 10(34) / (35) (dividend) shall not apply** from 1st April 2020
- 4) **Section 10(45) omitted** from 1st April 2020 being for any allowance or perquisite to Chairman, member or retired member of UPSC

### Income from Salary

#### 5) Amendment in perquisites definition u/s 17

- A combined upper limit of Rs. 7.50 lakh per employee in respect of Employer's Contribution in a year to NPS, Superannuation Fund and Recognised Provident fund has been proposed and any excess contribution is proposed to be taxable in the hands of employees.
- Consequently, it is also proposed that any annual accretion in the form of interest, dividend or any other amount of similar nature on such taxable Employer's Contribution during the previous year shall also be treated as perquisite.

### Income from Business & Profession

#### 1) Increase of Limit under 44AB

- Prescribed Limit of Turnover of a Business for applicability of Section 44AB has been increased from **1 Crore to 5 Crores** only on the fulfillment of the condition that the Aggregate of Receipts and Aggregate of Payments in cash during the previous year does not exceed 5% of such Receipts and such Payments respectively. In other cases the limits remains of Rs. 1 Crore only.

(Effective from 01.04.2020)

#### 2) Amendment in date of filing audit report in various cases

- Pursuant to change in due date of filing of Income Tax Return from 30th September to 31st October for all audit cases, the related audit reports have to be filed at least one month before the due date of filing ITR i.e. by 30th September. It would include following reports:
  - Report in Form 10B **u/s 12A**
  - Report u/s **44AB (Tax Audit)**
  - Report u/s **10A** in Free Trade Zone, etc
  - Report u/s **44DA (2)** which is applicable to Every Non-Resident or Foreign Company.
  - Report referred to in **Section 50B** in case of slump sale.
  - Form 29B of the Minimum Alternate Tax u/s **115JB**

- Form 29C of the Alternate Minimum Tax u/s **115JC**
- U/s **32AB** (Investment Deposit A/c)
- U/s **33AB** (Tea, Coffee Development A/c)
- U/s **33ABA** (Site Restoration Fund)
- U/s **35D** (Preliminary Expenses)
- U/s **35E** (Expenditure on prospecting etc. for Certain Minerals)
- U/s **80-IA / 80-IB / 80JJAA**
- Report u/s **92F (TP Report)** to be filed by **31st October** as its due date of filing ITR is **30th November**

(Effective from 01.04.2020)

### 3) Section 115JD- Tax credit for Alternate Minimum Tax

- The provision of this act is not applicable to those person who has opted to exercise the option to pay the tax under the new tax scheme i.e. U/S 115BAC, U/S 115BAD.

(Effective from 01.04.2021)

### 4) Providing Option to the assessee for not availing deduction under Section 35AD in respect of expenditure on specified business

- The availing of deduction under section 35AD has been made **optional**.
- Further, **no deduction** will be allowed in respect of expenditure incurred under sub-section (1), in any other section in any previous year or under this section in any other previous year, **if the deduction has been claimed by the assessee and allowed to him under this section.**

(Effective from 01.04.2020)

### 5) Speculative Transaction

- Section is being amended to provide that where the word "Recognized Association" occurs, now it will be read as "Recognized Stock Exchange".
- Where "Recognized Stock Exchange" means recognized stock exchange as referred to in clause (f) of section 2 of the **Securities Contracts (Regulation) Act, 1956** and which fulfills such conditions as may be prescribed and notified by the Central Government for this purpose.

(Effective from 01.04.2020)

### 6) Increase in limit of 5 % to 10 % under special provision for full value of consideration for transfer of assets other than capital assets in certain cases.

- Section 43CA is being amended to provide that **consideration received or accruing from the transfer of land, building or both shall be deemed to be the full value of consideration if stamp duty value is less than 110%(from earlier 105%)** of the consideration received or accruing from transfer of any asset. Similar amendment has been made in Section 50C and 56(2)

(Effective from 01.04.2021)

## 7) Scientific Research Associations u/s 35

- Any notification in respect of such association, university or company etc. shall be deemed to be withdrawn unless such association, university or company etc. files intimation in the form and manner as prescribed and to such income tax authority within 3 months from the effective date of this proviso. Such fresh notification shall be valid for 5 assessment years beginning with AY commencing on or after 01.04.2021.
- Grant of approval of exemption to such association, university, company etc. shall be effective for a maximum period of 5 assessment years, after the date on which the Finance Bill, 2020 receives the assent of the President.
- Such association, university or company shall be required to file a statement in the form and manner and to such income tax authority within such time which is to be prescribed later. Such statement shall also be allowed to be corrected/ rectified. A statement of such donation shall also be required to be issued by the association, university etc.
- The benefit of deduction is allowed to the donor even if the approval of research association has been subsequently withdrawn. Now this benefit is extended to the donor of a Company engaged in Scientific Research.

## Income from Capital Gains

### 1) Cost of Acquisition of Units of Segregated Portfolio

- In section 49 of the Income-tax Act which defines Cost of Acquisition, the following shall be inserted:–
  - **(2AG):** The cost of acquisition of a unit or units in the segregated portfolio shall be:

“The Cost of Acquisition of all units in Total Portfolio shall be divided in the same ratio 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 such segregation.”
  - **(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).

(Effective from 01.04.2020)

- 2) **Section 50C:** The Section states that where consideration received on transfer of capital asset being Land & Building or both is less than Value adopted for stamp duty valuation. If Stamp duty value does not exceed 105% of consideration than such consideration received is considered as full value of consideration.

The said Section has been amended to provide the bend of 10% instead of 5% i.e. if stamp duty value does not exceed 110% of consideration than such consideration received shall be taken as full value of consideration.

(Effective from 01.04.2021)

### 3) Section 55: Ascertaining cost of acquisition in case of Land & Building

The Section provides that for the purpose of ascertaining cost of acquisition in case of capital asset being land or building or both which was acquired before 1.04.2001. The cost of acquisition is taken to be the higher of Fair Market Value as on 1.04.2001 or Actual Cost of Acquisition. Now, such Fair Market Value of capital asset shall not exceed Stamp Duty Value as on 1.04.2001.

(Effective from 01.04.2021)

### 4) Determining the period for which Capital Assets are held by the assessee

The following clause has been inserted:

“(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;”.

## Income from Other Sources

- 1) **Section 56(2)(x)** In relation to Sec. 55, the bend for immovable property on or after 01.04.2017 for a consideration is less than stamp duty value of property by higher of 10% of consideration or Rs. 50000/-, than excess of stamp duty value over consideration is considered as **Income from Other Sources**.

(Effective from 01.04.2021)

### 2) Deduction of interest expenses in respect of dividend income

Interest Expenses in respect of Dividend Income shall be allowed as deduction to the extent it does not exceed 20% of such dividend income.

(Effective from 01.04.2021)

## Deductions

### 1) Deduction in respect of Interest on loan taken for residential house

Period of sanction of Affordable Home Loan has been extended to 31st March 2021 for deduction of Rs. 1.50 lakhs under section 80EEA.

(Effective from 01.04.2020)

- 2) **Section 80G (5)** is being amended to include certain more conditions in respect of deduction of donations to any institution or any other fund on which section 80G applies. These are:

- Application for approval by the institution or fund shall be made to Principal Commissioner or Commissioner
- An institution or fund already approved under section 80G shall also be required to apply for approval and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding 5 years at one time
- The application pending for approval, registration, as the case may be, shall be treated as application in accordance with the new provisions, wherever they are being provided for.



- The institution or fund prepares such statement for such period as may be prescribed and deliver or cause to be delivered to the prescribed income-tax authority
- The institution or fund has to furnish to the donor, a certificate specifying the amount of donation and such other particulars as may be prescribed
- Deduction under section 80G/ 80GGA to a donor shall be allowed only if a statement is furnished by the donee who shall be required to furnish a statement in respect of donations received and in the event of failure to do so, fee and penalty shall be levied.

(Effective from 01.06.2020)

- 3) **Section 80 GGA** is being amended to provide that no deduction shall be allowed in respect of any sum exceeding Rs. 2000/- (earlier Rs. 10000/-) unless such sum is paid by any mode other than cash for donations made towards scientific research or rural development and has been amended.

(Effective from 01.06.2020)

- 4) **Section 80 IAC** is being amended to exceed the turnover in order to qualify as "Eligible start-up" from existing twenty-five crore rupees to hundred crore rupees. Also the deduction can be claimed by assessee for any three consecutive assessment years out of ten years (earlier seven years) beginning from the incorporated year.

(Effective from 01.04.2020)

- 5) **Section 80 IBA** is being amended to extend the date of approval of housing project after the 1st day of June 2016 by the competent authority on or before the 31st day of March 2021 (earlier 31/03/2020)

(Applicable from 1st April 2020)

- 6) **Section 80M** is being reintroduced in respect to deduction of certain inter-corporate dividends which states

- Where the gross total income of a domestic company in any previous year includes income by way of dividends from any other domestic company, it shall be allowed in computing the total income of such domestic company, a deduction of an amount equal to the amount of income by way of dividends received from such other domestic company does not exceed the amount of dividend distributed by the first mentioned domestic company on or before the due date.
- Where any deduction, 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.

(Applicable from 1st April 2020)

### **Set-off & Carry Forward of Losses**

- ✓ Section 72AA has been amended for extending the benefit of Carry forward of business loss and accumulated depreciation in case of amalgamation of Corresponding New Banks and Government Insurance Companies.

(Effective from 01.04.2020)

## Assessment & Appeals

### 1) Section 250 & 274: Procedure of Appeal

**Sub section 4(B)** has been inserted which empowers the Central Govt. to make a scheme for disposals of appeal by commissioner through various measures of increasing transparency, efficiency and accountability. Ex. Faceless Assessment

It shall come into effect with a notification.

(Effective from 01.04.2020)

Also, a new sub-section 2(A) under section 274 has been inserted which grants the power to Central Govt. to decide the amount of penalty for violation of Section 250 through way of notification.

### 2) Section 253: Appeal to Appellate Tribunal

Order passed by Principle Commissioner or Commissioner under newly inserted section 12AB has also been added to the list of Appealable orders for Appellate Tribunal.

“**12AB**” is concerned with Fresh Registration of Trust or institution.

(Effective from 01.06.2020)

### 3) Section 254: Orders of Appellate Tribunal

This section has now mandated that the aggrieved party who demands a stay from the tribunal in case of their litigation shall necessarily deposit amount equal to 20% of the amount of interest, penalty, fee or any other sum or shall furnish a security of equal amount.

Further, the Assessee shall have to pay such 20% of demand for extension of original period of stay. The period of stay shall not exceed 365 days. Hence the requirement of paying 20% shall now be applicable on existing appeals also where period of stay has expired.

(Effective from 01.06.2020)

### 4) Section 285BB: Annual Information Statement

According to this new section, the income tax authority (to be prescribed separately) will upload Annual Information Statement, along with all of the assessee's tax information available with authority, to the registered account of the assessee. Consequently section 203AA has been omitted.

(Effective from 01.06.2020)

### 5) Section 288: Appearance by authorized representative

Section 288 lays down the list of persons eligible to appear as an authorized representative of the Assessee. The CG has been given power to prescribe any other person for appointing as an Authorized Representative.

### 6) Section 295: Power to make Rules

This section describes the power of the central govt. to make rules regarding the income tax act. In the Amendment brought forward the central government has now been empowered to make rules for defining the procedure to arrive at the income of –

1. Non-resident carrying out operations in India
2. Transactions and activities of non-residents.

(Effective from 01.04.2021)

**7) First Schedule (Insurance Business)**

Amendment in this schedule enables a non-life insurance companies to claim back the amount of deduction under section 43B(in the year sum was actually paid) to compute the income of the entity which was earlier denied because the amount of tax was actually not paid in the year the deduction was claimed.

**8) 119A New Section Inserted**

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"

**9) Sec 133A:** The Section has been amended to provide that-

Approval to be made in Survey conducted by IT Authority:-

Particulars	Approval to be made by	Approval to be made from
In a case where the information has been received from such authority, as may be prescribed	A.D./D.D./A.O./T.R.O or an Inspector	Joint Director or the Joint Commissioner
In any other case	J.D. or J.C. or A.D. or a D.D. or an A.O. or T.R.O. or an Inspector	Director or the Commissioner

**10) Section 139(1)**

Due Date for filling of Income Tax Return	a company	31st day of October of the A.Y.
	a person (other than a company) whose accounts are required to be audited under this Act	
	a partner of a firm whose accounts are required to be audited under this Act	

**11) Section 140 :** The Section has been amended where ROI to be verified in case of:-

Company	M.D. or Any other Person as may be prescribed for this purpose
LLP	Designated Partner/Any Partner/ Any other Person as may be prescribed for this purpose

**12) Section 143:** 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 u/s 143(3) or section 144 so as to impart greater efficiency, transparency and accountability. Hence S. 144 would also be done through e-assessment.

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 upto 31st day of March, 2022.

**13) Section 156** has been amended (for ESOPs in Start-ups) with insertion of sub-section(2)-

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 security or sweat equity shares allotted or transferred, directly or indirectly, by the employer, or former employer, free of cost or at concessional rate to the assessee as specified in section 17(2)(vi)	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 14 days-	After the expiry of 48 months from the end of the relevant assessment year	whichever is the earliest
	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		From the date of the sale of such specified security or sweat equity share by the assessee	
			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	

**14) Section 140A:** Self-Assessment Tax shall be calculated after considering any tax or interest payable under section 191 where assessee was required to pay such tax directly due to non-deduction of TDS.

### International Taxation

**1) Section 92CB:-** Power of Board to make "Safe Harbour" rules has been extended to the attribution of profits to the Permanent Establishment of a non- resident mentioned under section 9(1)(i).

(Effective from 01.04.2020)

**2) Section 92CC:-** Advance pricing agreement.

The Board, has been given additional power enter into an advance pricing agreement with any person, for determining the arm's length price or specifying the manner in which arm's length price is to be determined, in relation to attribution of profits to the Permanent Establishment of a non- resident mentioned u/s 9(1)(i).

(Effective from 01.04.2020)

- 3) **Section 92F:-** Date of Filing of Report of an Accountant under section 92E (i.e. Transfer Pricing Report in Form 3CEB) shall be 31st October of the relevant Assessment Year.

(Effective from 01.04.2020)

- 4) **Section 94B:- Limitation on interest deduction in certain cases.**

Limitation of allowance of Interest Expense paid to an Associated Enterprise (i.e. 30% of EBITDA) to an Indian company, or a permanent establishment of a foreign company in India, shall not apply to interest paid in respect of a debt issued by a lender which is engaged in the business of banking, in India.

(Effective from 01.04.2021)

- 5) **Section 115A:- Deals with tax on dividends, royalty and technical service fees in the case of foreign companies is amended by:**

- Earlier the Non Resident Company or other than a company assessee was not required to file his or its ITR in India if his or its income consisted only Dividend or Interest income.
- Now it has been extended and he or it shall not be required to file ITR even if the income consists of Royalty or Fees for Technical Services and TDS has been deducted on this income at not less than the rates mentioned under this section.

- 6) **Section 115BAA & 115BAB:-** Tax on income of certain domestic companies.

- Taxation of domestic companies at concessional rates is subject to non availment of specified deductions and incentives. Now, such benefit of concessional rate shall be available if the company after allowing the deductions under section 80JJAA or Section 80M.
- Also, the benefit of concessional tax rates under these sections, are also extended to "Power Generation Companies".

(Effective from 1st April, 2020)

- 7) **Double Taxation Avoidance Agreement (DTAA)**

- Section 90 has been amended so as to provide that the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for, inter alia, the avoidance of double taxation of income under the 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 this agreement for the indirect benefit of residents of any other country or territory).
- The similar amendment is also done in section 90A.

(Applicable from 01.04. 2020)

- 8) **Section 6 Residential Status:**

- **Exception provided in clause (b) of Explanation 1 of section 6 (1) is to be amended:-**
  - An Indian citizen or a person of Indian origin shall be Indian resident in that year if he is visiting India for 120 days instead of existing 182 days.

➤ **After clause (1) in section 6 of the Income-tax Act, the following clause shall be inserted:-**

- Notwithstanding anything contained in clause (1), an individual, being a citizen of India, shall be deemed to be resident in India in any previous year, if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature."

➤ **Sub-section (6) in section 6 of the Income-tax Act, the following clause shall be substituted:-**

- 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 10 previous years preceding that year.

(Applicable from 1st day of April, 2021)

**9) Section 9: Provisions in respect of income which are deemed to accrue or arise in India.**

➤ Provisions related to **"Significant economic presence" (SEP)** of a non-resident in India were introduced by Finance Act 2018, however due to non-availability of statistics regarding such transactions, the applicability of the same has been deferred to 01.04.2022.

➤ **Income attributable to the operations carried out in India shall include Income from-**

- such advertisement which targets a customer who resides in India or a customer who accesses the advertisement through internet protocol address located in India;
- sale of data collected from a person who resides in India or from person who uses internet protocol address located in India; and
- sale of goods or services using data collected from a person who resides in India or from a person who uses internet protocol address located in India."

(Effective from 01.04.2021)

➤ A new Proviso to Explanation 5 has been inserted to provide that nothing contained in this *Explanation* shall apply to an asset or a capital asset, which is held by a non-resident by way of investment, directly or indirectly, in Category-I foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, made under the Securities and Exchange Board of India Act, 1992.

(Effective from 01.04.2020)

**10) Section 9A:**

The Section has been amended to give relaxation in the two conditions so as to avail the benefit of **"Eligible Investment Fund"**-

- for the purpose of calculation of the aggregate participation or investment in the fund, directly or indirectly, by Indian resident, contribution of the eligible fund manager during first 3 years up to Rs. 25 crore shall not be accounted for; and
- if the fund has been established or incorporated in the previous year, the condition of monthly average of the corpus of the fund to be at Rs. 100 crore shall be fulfilled within 12 months from the last day of the month of its establishment or incorporation.

**11) Section 144C (Dispute Resolution Panel)** has been amended to expand the scope of said section –

- (A) To include cases, where the AO proposes to make any variation which is prejudicial to the interest of the assessee. Earlier only variation in the income or loss returned was covered under section 144C;
- (B) The Eligible assessee under this section shall now include a non-resident not being a company.

### Miscellaneous Provisions

**1) Penalty & Fee for default relating to statement or certificate u/s 80G / S. 35**

It shall be liable to pay fee of Rs. 200 per day u/s 234G, maximum to the amount in respect of which the failure has occurred.

- (a) Research association, university, college and any other institution referred in the concerned section or a company as referred in section 35 fails to deliver a statement in time prescribed
- (b) A fund or institution fails to deliver statement or certificate within the prescribed time as required by the sub section of 80(G)

Those institutions who fail to furnish statements, would be liable to pay amount of Rs. 10000/- (Min) to 1 Lakh (Max) as penalty u/s 271K.

- **Section 271AAD introduced** for 100% penalty for false entry, etc in books of accounts on the person in books these entries are made and on the person who causes these entries to be made

- **Section 115TD-Tax on Accreted Income**

With the insertion of new Section 12AB of the Income Tax Act, 1961 on the Accreted Income of Charitable Trust due to which there have been a substitution of words "under section 12AA or section 12AB" are to be inserted.

(Effective from 01.06.2020)

- **Business Trust Definition** has been amended.

Now Real Estate Investment Trust whose units are required to be listed on recognised stock exchange in accordance with the SEBI regulations will NOT fall in the meaning of Business Trust.

(Applicable from 1st day of April, 2021)



## GOODS AND SERVICE TAX PROPOSALS

### INPUT TAX CREDIT

The Sub- section (4) of section 16 of CGST Act, 2017 is being amended to extend the scope of claiming the Input tax credit on the debit notes received after September of subsequent year following the end of financial year to which invoice pertaining to such debit note was issued.

Earlier the ITC on invoice and debit note relating to invoice issued in a FY was not available after the due date of furnishing of the return under section 39 for the month of September of subsequent year following the end of financial year to which such invoice relates or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.

### AMENDMENT IN DEFINITIONS

Definition of "Union territory" GST Law is being substituted to include Ladakh within the preview of "Union territory"

### COMPOSITION SUPPLY

Section 10 of the CGST Act is being amended, so as to exclude from the ambit of the Composition scheme certain categories of taxable persons, engaged in making-

- (i) supply of services not leviable to tax under the CGST Act, or
- (ii) inter-State outward supply of services, or
- (iii) outward supply of services through an e-Commerce operator.

### CANCELLATION OF REGISTRATION

- The clause (c) of sub-section (1) of section 29 of CGST Act is being amended to provide for cancellation of registration which has been obtained voluntarily under sub-section (3) of section 25.
- Proviso to sub-section 1 of section 30 of the CGST Act is being inserted to empower the jurisdictional tax authorities to extend the date for application of revocation of cancellation of registration in deserving cases on sufficient cause being shown, and for reasons to be recorded in writing.

### Tax Invoice

Proviso to Section 31 of the CGST Act is being amended to prescribe the manner of issuance of invoices in case of supply of taxable services.

### TDS

Section 51 of the CGST Act is being amended to remove the requirement of issuance of TDS certificate by the deductor and to omit the corresponding provision of late fees for delay in issuance of TDS certificate.

## **PENALTY AND PUNISHMENTS**

- Section 122 of the CGST Act is being amended by inserting a new sub-section to make the beneficiary of the transactions of passing on or availing fraudulent Input Tax Credit liable for penalty similar to the penalty leviable on the person who commits such specified offences.
- Section 132 of the CGST Act is being amended to make the offence of fraudulent availment of input tax credit without an invoice or bill a cognizable and non-bailable offence; and to make any person who commits, or causes the commission, or retains the benefit of transactions arising out of specified offences liable for punishment.

## **TRANSITIONAL CREDIT**

The various subsections of section 140 of the CGST Act is being amended w.e.f. 01.07.17 in order to extend the date of filing of FORM GST TRAN-1 from 31st Dec 2020 to 31st March, 2020 and FORM GST TRAN-2 from 31st Dec 2020 to 30th April 2020 in respect of registered persons who could not submit the said declaration by the due date on account of technical difficulties.

## **GENERAL AMENDMENTS**

### **Refund**

No refunds shall be made if the rate of GST as per the existing law is less than the rate as per the law at the time it was collected.

### **Constitution of Appellate Tribunal and Benches thereof.**

Section 109 of the CGST Act is being amended to bring the provision for Appellate Tribunal under the CGST Act in the Union territory of Jammu and Kashmir and Ladakh.

## CUSTOM PROPOSALS

### CUSTOM PROPOSALS

- **Section 11(2) of Clause (f)** empowers the Central Government to prevent injury to the economy of the country by the uncontrolled import or export of gold or silver. This clause is being **amended to include “any other goods** (in addition to gold and silver) in its ambit.
- An explanation is being inserted in **section 28** to explicitly clarify that any notice issued under the said section, prior to the enactment of the Finance Act, 2018, shall continue to be governed by the section 28 as it existed before the said enactment, notwithstanding order of any Appellate Authority, Appellate Tribunal, Court or any other law to the contrary.
- A new **Chapter VAA** (a new section 28DA) is being incorporated in the Customs Act to provide enabling provision for administering the preferential tax treatment regime under Trade Agreements. The proposed new section seeks to specifically provide for certain obligation on importer and prescribe for time bound verification from exporting country in case of doubt. Pending verification preferential benefit shall be suspended and goods shall be cleared only on furnishing security equal to differential duty. In certain cases, the preferential rate of tax may be denied without further verification
- **Section 51B** is being inserted so as to provide for creation of an Electronic Duty Credit Ledger in the customs system. This will enable duty credit in lieu of duty remission to be given in respect of exports or other such benefit in electronic form for its usage, transfer etc. The provision for **recovery** of duties provided under **Section 28AAA** of Customs Act, 1962 are also **being expanded** to include such electronic credit of duties
- **Section 111** is being amended to insert a new clause (q), to prescribe that goods imported on claim of preferential rate, and in relation to which any provision of Chapter VAA or of any rule made under this Act have been contravened shall be liable to confiscation.

### PROPOSALS INVOLVING CHANGES IN RATES OF BASIC CUSTOM DUTY

**APPLICABLE WITH EFFECT FROM 02.02.2020**

#### Food Processing

Particulars/Items	Rate of Basic Custom Duty
Walnuts, shelled	From 30% to 100%

#### Chemicals

Particulars/Items	Rate of Basic Custom Duty
Other Chemical products and preparations of the chemical or allied industries, not elsewhere specified	From 10% to 17.5%

**Footwear**

Particulars/Items	Rate of Basic Custom Duty
Footwear	From 25% to 30%
Parts of Footwear	From 15% to 20%

**Household Items**

Particulars/Items	Rate of Basic Custom Duty
Tableware, kitchenware, water filters (of a capacity not exceeding 40 litres) and other household articles, of porcelain or china.	From 10% to 20%
Ceramic table- ware, kitchen-ware, clay articles and other household articles	From 10% to 20%
Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than that of heading 7010 or 7018)	From 10% to 20%
Table kitchen or other household articles and parts thereof, of iron or steel, iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, of iron or steel, including pressure cookers pans utensils, misc articles such as iron & steel wool, polishing pads, gloves etc.	From 10% to 20%
Table, kitchen or other household articles and parts thereof, of copper; pot scourers and scouring or polishing pads, gloves and the like, of copper.	From 10% to 20%
Table, kitchen or other household articles and parts thereof, of aluminum; pot scourer and scouring or polishing pads, gloves and the like, of aluminum.	From 10% to 20%
Brooms, brushes, hand operated mechanical floor sweepers, not motorized, mops and feather dusters; prepared knots and tufts for broom or brush making; paint pads and rollers; Squeegees (other than roller squeegees).	From 10% to 20%
Hand sieves and hand riddles.	From 10% to 20%
Combs, hair-slides and the like, hairpins curling pins, curling grips, hair curlers and the like, other than those of heading 8516 and parts thereof.	From 10% to 20%
Household Appliances	From 10% to 20%

**Precious Metals**

Particulars/Items	Rate of Basic Custom Duty
Coin (of precious metal)	From 10% to 12.5%

**Machinery**

Particulars/Items	Rate of BCD
Railway Carriage fans	From 7.5% to 10%
Other fans with a self-contained electric motor not exceeding 125W	From 7.5% to 20%
Air Circulator	From 7.5% to 10%
Industrial fans blowers and similar blowers	From 7.5% to 10%
Other industrial fans	From 7.5% to 10%
Compressor of Refrigerator and Air conditioner	From 10% to 12.5%
Pressure vessels	From 7.5% to 10%
Commercial type combined refrigerator freezers, fitted with separate external doors	From 7.5% to 10%
Commercial freezer of chest type, not exceeding 800lt capacity	From 7.5% to 10%
Other chest type freezers	From 10% to 15%
Electrical freezers of upright type, not exceeding 800 litre capacity	From 7.5% to 15%
Other freezers of upright type, not exceeding 800 litre capacity	From 7.5% to 15%
Refrigerating or freezing display counters, cabinets, showcases and the like	From 7.5% to 15%
Heat pumps other than ac machines	From 7.5% to 15%
Ice making machinery	From 7.5% to 15%
Water cooler	From 7.5% to 10%
Vending machine, other than automatic	From 7.5% to 10%
Refrigerating equipment/devices used in leather industry	From 7.5% to 15%
Refrigerated farm tanks, industrial ice cream freezer	From 7.5% to 15%

Others [like freezers of capacity 800 litres and more etc.]	From 7.5% to 15%
Welding and Plasma cutting machines	From 7.5% to 15%

**Other Electronic Goods**

Particulars/Items	Rate of BCD
Static Converters	From 15% to 15%
Dip bridge rectifier	From 10% to 20%
Populated, loaded or stuffed printed circuit boards	From 10% to 20%

**Automobile and Automobile Parts**

Particulars/Items	Rate of BCD
Catalytic Convertor	From 10% to 15%

**Furniture Goods**

Particulars/Items	Rate of BCD
Seats and parts of seats (other than aircraft seats and their parts)	From 20% to 25%
Other Furniture and parts	From 20% to 25%
Mattress supports; Articles of bedding and similar furnishing	From 20% to 25%
Lamps and lighting fittings including searchlights and spotlights and parts thereof; Illuminated signs, illuminated name plates and the like, having a permanently fixed light source, and parts thereof except solar lantern and solar lamps.	From 20% to 25%

**Toys**

Particulars/Items	Rate of BCD
Tricycles, scooters, pedal-cars and similar wheeled-toys; dolls; carriages; dolls; other toys; reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds	From 20% to 60%

### Stationary items

Particulars/Items	Rate of BCD
Filing, cabinets, card-index cabinets, paper-trays, paper rests, pen trays, office-stamp stands and similar office or desk equipment, of base metal, other than office furniture of heading 9403	From 10% to 20%
Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips (for example, for offices, upholstery, packaging), of base metal	From 10% to 20%
Sign-plates, name-plates, address-plates and similar plates, numbers, letters and other symbols, of base metal, excluding those of heading 9405	From 10% to 20%

### Miscellaneous

Particulars/Items	Rate of BCD
Artificial Flowers	From 10% to 20%
Glass Beads	From 10% to 20%
Bells, gongs, statuettes, trophies and like, non-electric of base metal; statuettes and other ornaments of base metal; photograph, picture or similar frames, of base metal; mirrors of base metal	From 10% to 20%

### New entries added to the First Schedule [Clause XX of the Finance Bill, 2020]

Particulars/Items	Rate of BCD
Wall fans	From 10% to 12.5%
Open cell for television set	From 10% to 12.5%
Solar cells not assembled	From 10% to 12.5%
Solar cells assembled in modules or made up in panels	From 10% to 12.5%

\*Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.



**Other Proposals Involving Changes in Basic Customs Duty Rates in Respective Notifications**

**Animals**

Particulars/Items	Rate of BCD
Pure-bred breeding horses	From 30% to Nil

**Fuels, Chemicals and Plastics**

Particulars/Items	Rate of BCD
Very low Sulphur fuel oil meeting ISO 8217:2017 RMG380 Viscosity in 220-400 CST standards/marine Fuel Oil 0.5% (FO), under the same conditions as available to IFO 180 CST and IFO 380 CST under entry at S. No. 139 of notification No. 50/2017–Customs dated 30.6.2017.	From 10% to Nil
Calcined Petroleum Coke	From 10% to 7.5%
Colloidal precious metals; compounds of precious metals; amalgams of precious metals	From 7.5% to 10%
Butyl Acrylate	From 5% to 7.5%
Polyester Liquid Crystal Polymers (LCP) for use in manufacture of connectors	From 7.5% to Nil
Calendared plastic sheets for use in manufacturing of smart cards	From 10% to 5%

**Paper Industry**

Particulars/Items	Rate of BCD
a) Newsprint, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI) b) Uncoated paper used for printing newspaper, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI) c) Lightweight coated used for printing magazines, subject to end-use conditions	From 10% to 5%

**Sports Goods**

Particulars/Items	Rate of BCD
List of items allowed duty free import up to 3% of FOB value of sports goods exported in the preceding financial year is amended to include Willow	From Applicable rate to Nil

**Precious Stones and Metals**

<b>Particulars/Items</b>	<b>Rate of BCD</b>
Gold used in the manufacture of semiconductor devices or light emitting diodes	From Nil to 12.5%
Rubies, emeralds, sapphires – unset and imported uncut	From Nil to 0.5%
Rough coloured gemstones	From Nil to 0.5%
Rough semi-precious stones	From Nil to 0.5%
Pre-forms of precious and semi-precious stones	From Nil to 0.5%
Rough synthetic gemstones	From Nil to 0.5%
Rough cubic zirconia	From Nil to 0.5%
Polished Cubic Zirconia	From Nil to 0.5%
Platinum or Palladium used in manufacture of – a) All goods, including Noble Metal Compounds and Noble Metal Solutions [2843]; b) Catalyst with precious metal or precious metal compounds as the active substance [381512].	From 12.5% to 11.85%
Spent Catalyst/Ash containing precious metal like gold from which such precious metal is retrieved subject to specified conditions.	From 12.5% to 11.85%

**Machinery**

<b>Particulars/Items</b>	<b>Rate of Duty</b>
Goods specified in List 10 of Notification No. 50/2017 – Customs dated 30.6.2017, required for use in high voltage power transmission project	From 2.5% to 7.5%
Goods specified in List 14 of Notification No. 50/2017 – Customs dated 30.6.2017, required for construction of road like paver finisher, machines for filling up cracks in roads, mobile bridge inspection units etc.	From Nil to Applicable BCD
Motors like Single Phase AC motors, Stepper motors, Wiper Motors etc.	From 7.5% to 10%

**Electronic goods, parts thereof**

<b>Particulars/Items</b>	<b>Rate of Duty</b>
Copper and articles there of used in manufacturing of specified electronic items	From Nil to Applicable BCD

Specified Chargers and power adapters	From Applicable BCD to 20%
PCBA of Cellular mobile phones (with effect from 01.04.2020)	From 10% to 20%
Fingerprint readers for use in Cellular mobile phones	From Nil to 15%
Vibrator/Ringer of Cellular mobile phones (with effect from 01.04.2020)	From Nil to 10%
Display Panel and Touch Assembly of Cellular mobile phones (with effect from 01.10.2020)	From Nil to 10%
Headphones and Earphones	From Applicable BCD to 15%
Following parts of Microphone for use in manufacture of Microphone namely, a) microphone cartridge b) microphone holder c) microphone grill d) microphone body etc.	From 10% to Nil
Micro-fuse base, sub-miniature fuse base, Micro-fuse Cover and sub-miniature fuse cover for use in manufacture of micro fuse and sub-miniature fuse	From 7.5% to Nil

### Automobile and automobile parts

Particulars/Items	Rate of Duty
Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and their parts	From 5% to Applicable BCD
Platinum or Palladium used in manufacturing of catalytic converter and their parts	From 5% to Applicable BCD
(A) Parts of catalytic converter for manufacture of catalytic converters. (B) The following goods for use in the manufacture of catalytic converters and its parts, namely: - (i) Raw substrates (ceramics) (ii) Wash coated substrates (ceramics) (iii) Raw substrates (metal) (iv) Wash coated substrates (metal) (v) Stainless steel wire cloth stripe (vi) Wash coat	From 5% to 7.5%

Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles) (w.e.f. 01.04.2020)	From 30% to 40%
Completely Built Units (CBUs) of commercial electric vehicles (w.e.f. 01.04.2020)	From 25% to 40%
Semi Knocked Down (SKD) forms of electric passenger vehicles (w.e.f. 01.04.2020)	From 15% to 30%
Semi Knocked Down (SKD) forms of electric vehicles- Bus, Trucks and Two wheelers (w.e.f. 01.04.2020)	From 15% to 25%
Completely Knocked Down (CKD) forms of electric vehicles - Passenger vehicles, Three wheelers, Two wheelers, Bus and Trucks (w.e.f. 01.04.2020)	From 10% to 15%

### **Defence Sector**

<b>Particulars/Items</b>	<b>Rate of Duty</b>
Exemption from import duty for specified military equipment, when imported by Defense PSUs and other PSUs for defence forces.	From Applicable rate to Nil

## OTHER ACTS PROPOSALS

### AMENDMENTS TO THE INDIAN STAMP ACT, 1899

- Section 9A of the Indian Stamp Act, 1899 is being amended to remove stamp duty in respect of the instruments of transaction in stock exchanges and depositories established in any International Financial Services Centre set up under section 18 of the SEZ Act, 2005."

### AMENDMENTS TO THE FINANCE ACT, 2013

- Definition of "taxable commodities transaction" u/s Section 116 (7) is being amended to substitute for the words "sale of commodity derivatives or option on commodity derivatives in respect of commodities, other than agricultural commodities, traded in recognised associations", the words "sale of commodity derivatives or sale of commodity derivatives based on prices or indices of prices of commodity derivatives or option on commodity derivatives or option in goods in respect of commodities, other than agricultural commodities, traded in recognised stock exchange"
- Section 117, for the Table, the following Table shall be substituted with effect from the 1st day of April, 2020, namely:–

Table

Sl. No.	Taxable commodities transaction	Rate	Payable by
1.	Sale of commodity derivative	0.01%	Seller
2.	Sale of commodity derivatives based on prices or indices of prices of commodity derivatives	0.01%	Seller
3.	Sale of option on commodity derivative	0.05%	Seller
4.	Sale of options in goods	0.05%	Seller
5.	Sale of option on commodity derivative, where option is exercised	0.0001%	Purchaser
6.	Sale of option in goods, where option is exercised resulting in actual delivery of goods	0.0001%	Purchaser
7.	Sale of option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods	0.125%	Purchaser

## OTHER GENERAL PROPOSALS

### OVERVIEW OF INDIAN ECONOMY

- India is the 5th largest economy of the world
- India has moved up from rank 65th in 2014 to 34th in 2019 in the Travel & Tourism Competitive Index (World Economic Forum).
- India moving up by 14th position to 63rd rank in 2019 World Bank's Ease of Doing Business 2020 Report.
- Foreign exchange earnings grew 7.4% to Rs. 1.88 lakh crores for the period January to November 2019 from Rs. 1.75 lakh crores through tourism
- India will host G 20 presidency in the year 2022- the year of 75th anniversary of independence of Indian Nation
- GDP growth moderated to 5.0 percent in 2019-20 as compared to 6.8 percent in 2018-19
- Current Account Deficit (CAD) narrowed to 1.5 percent of GDP in first half (H1) of 2019-20 from 2.1 percent in 2018-19
- Global confidence in the Indian economy improved as reflected in growing inflows of net Foreign Direct Investment (FDI) and an all-time high accumulation of foreign exchange reserves of US\$ 457.5 billion as in end December, 2019

### WELLNESS, WATER AND SANITATION

- Mission Indradhanush has been expanded to cover 12 such diseases, including five new vaccines.
- FIT India movement launched to fight NCDs.
- A very focused safe water (Jal Jeevan Mission) and comprehensive sanitation program (Swachh Bharat Mission) have been launched to support the health vision.
- Strengthen efforts for "TB Harega Desh Jeetega" campaign to end Tuberculosis by 2025.
- Viability gap funding proposed for setting up hospitals in the PPP mode.
- Proposed to expand Jan Aushadhi Kendra Scheme to all districts offering 2000 medicines and 300 surgicals by 2024.
- Jal Jeevan Mission was announced to provide piped water supply to all households.

### INFRASTRUCTURE

- National Infrastructure Pipeline was launched on 31st December 2019 consisting of more than 6500 projects across sectors and are classified as per their size and stage of development
- The National Infrastructure Pipeline envisions improving the ease of living for each individual citizen in the country. It's also will bring in generic and sectoral reforms in development, operation and maintenance of these infrastructure projects.

- propose to set up a project preparation facility for infrastructure projects. This programme would actively involve young engineers, management graduates and economists from our Universities
- A National Logistics Policy will be released soon. It will create a single window e-logistics market and focus on generation of employment, skills and making MSMEs competitive
- Accelerated development of highways will be undertaken. This will include development of 2500 Km access control highways, 9000 Km of economic corridors, 2000 Km of coastal and land port roads and 2000 Km of strategic highways.
- Delhi-Mumbai Expressway and two other packages would be completed by 2023 . Chennai-Bengaluru Expressway would also be started
- propose to monetise at least twelve lots of highway bundles of over 6000 Km before 2024
- Proposed to setting up a large solar power capacity alongside the rail tracks, on the land owned by the railways
- Four station re-development projects and operation of 150 passenger trains would be done through PPP mode
- More Tejas type trains will connect iconic tourist destinations.
- High speed train between Mumbai to Ahmedabad would be actively pursued.
- 148 km long Bengaluru Suburban transport project would have fares on metro model.
- The Jal Vikas Marg on National Waterway-1 will be completed. Further, the 890 Km Dhubri-Sadiya connectivity will be done by 2022
- "Arth Ganga" plans are conceptualise to energise economic activity along river banks.
- One hundred more airports would be developed by 2024 to support Udaan scheme. It is expected that the air fleet number shall go up from the present 600 to 1200 during this time
- Intends to promote "smart" metering to replace conventional energy meters by prepaid smart meters in the next 3 years
- Proposed to expand the national gas grid from the present 16200 km to 27000 km

## **INDUSTRIAL DEVELOPMENT**

- Propose to set up an Investment Clearance Cell that will provide "end to end" facilitation and support, including pre-investment advisory, information related to land banks and facilitate clearances at Centre and State level.
- Propose a scheme focussed on encouraging manufacture of mobile phones, electronic equipment and semi-conductor packaging.
- To reverse this trend of importing textile and to position India as a global leader in Technical Textiles, a National Technical Textiles Mission is proposed with a four-year implementation period from 2020-21 to 2023-24.
- To achieve higher export credit disbursement, a new scheme, NIRVIK is being launched, which provides for higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements.



- Efforts of the Centre and State governments are being synergised and institutional mechanisms are being created to develop each District as an export hub.
- Proposed to digitally refund to exporters, duties and taxes levied at the Central, State and local levels.
- To bring out soon a policy to enable private sector to build Data Centre parks throughout the country. It will enable our firms to skilfully incorporate data in every step of their value chains.
- Several measures are proposed in Intellectual property creation and protection to benefit the Start-ups.
- an Institute of Excellence, a Centre would be established that would work on the complexity and innovation in the field of Intellectual Property.
- For designing, fabrication and validation of proof of concept, and further scaling up Technology Clusters, harbouring such test beds and small scale manufacturing facilities would be established.
- Proposes to provide early life funding, including a seed fund to support ideation and development of early stage Start-ups

#### **MICRO, SMALL AND MEDIUM ENTERPRISES**

- Enable NBFCs to extend invoice financing to the MSMEs through TReDS, thereby enhancing their economic and financial sustainability.
- Proposed to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. This subordinate debt to be provided by banks would count as quasi-equity and would be fully guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE)
- Extending the restructuring window for restructuring of debt till March 31, 2021
- An app-based invoice financing loans product will be launched. This will obviate the oblem of delayed payments and consequential cash flows mismatches for the MSMEs

#### **GRAMEEN BHARAT/RURAL INDIA**

- Fibre to the Home (FTTH) connections through Bharatnet will link 100,000 gram panchayats this year so that all “public institutions” at Gram Panchayat level such as Anganwadis, health and wellness centres, government schools, PDS outlets, post offices and police stations will be provided with digital connectivity

#### **YOUTH**

- Will involve youth in fishery extension through 3477 SagarMitras and 500 Fish Farmer Producer Organisations.
- About 150 higher educational institutions will start apprenticeship embedded degree/ diploma courses by March 2021.
- Proposes to start a programme whereby urban local bodies across the country would provide internship opportunities to fresh engineers for a period up to one year.

- Proposed to start degree level full-fledged online education programme offered only by institutions who are ranked within top 100 in the National Institutional Ranking framework to students of deprived section of the society as well as those who do not have access to higher education
- A National Police University and a National Forensic Science University are being proposed in the domain of policing science, forensic science, cyber-forensics etc
- Proposed to attach a medical college to an existing district hospital in PPP mode to meet shortage of qualified medical doctors, both general practitioners as well as specialists
- Encourage large hospitals with sufficient capacity to offer resident doctors DNB/FNB courses under the National Board of Examinations
- To improve skill set to meet the employer's standards and cater huge demand for teachers, nurses, para-medical staff and care-givers abroad special bridge courses be designed by the Ministries of Health, Skill Development together with professional bodies
- In order to introduce major reforms in recruitment to Non-Gazetted posts in governments and public sector banks "National Recruitment Agency (NRA)" as an independent, professional, specialist organization is proposed to be setup for conduct of a computer-based online Common Eligibility Test for recruitment to Non-Gazetted posts

#### **BANKING SECTOR AND FINANCIAL MARKETS**

- The Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now Rs. one lakh to Rs. five lakh per depositor
- To strengthen the Cooperative Banks, amendments to the Banking Regulation Act are proposed for increasing professionalism, enabling access to capital and improving governance and oversight for sound banking through the RBI
- The limit for NBFCs to be eligible for debt recovery under SARFAESI Act 2002 is proposed to be reduced from Rs. 500 crore to asset size of Rs. 100 crore or loan size from existing Rs. 1 crore to Rs. 50 lakh.
- Proposed to sell the balance holding of Government of India IDBI Bank to private, retail and institutional investors through the stock exchange.
- Separation of NPS trust for government employees from PFRDA to enable establishment of a Pension Trust by the employees other than Government
- Certain specified categories of Government securities would be opened fully for non-resident investors, apart from being available to domestic investors as well.
- The limit for FPI in corporate bonds, currently at 9% of outstanding stock, will be increased to 15% of the outstanding stock of corporate bonds
- Proposes to expand Debt-based Exchange Traded Fund (ETF) by floating a new Debt-ETF consisting primarily of government securities.
- Government proposes to sell a part of its holding in LIC by way of Initial Public Offer (IPO).

## AGRICULTURE, IRRIGATION AND RURAL DEVELOPMENT

- Food grain production in the country was estimated at 285 million tonnes, the same as in 2017-18. However, food grain production was 19.2 million tonnes higher than the average production of previous five years
- Rice production during 2018-19 was estimated at 116.4 million tonnes as compared to 112.8 million tonnes in 2017-18. Wheat production during 2018-19 was estimated at 102.2 million tonnes as compared to 99.9 million tonnes during 2017-18
- Goal of doubling farmers incomes by 2022.
- Propose to expand the PM KUSUM scheme to provide 20 lakh farmers for setting up stand-alone solar pumps in order to removed farmers' dependence on diesel and kerosene and shall also help another 15 lakh farmers solarise their grid-connected pump sets
- Viability gap funding for creation of efficient warehouses on PPP mode.
- Village Storage scheme is proposed to be run by the SHGs. This will provide farmers a good holding capacity and reduce their logistics cost
- Agriculture credit target for the year 2020-21 has been set at Rs. 15 lakh crore. All eligible beneficiaries of PM-KISAN will be covered under the KCC scheme.
- "Krishi Udaan" will be launched by the Ministry of Civil Aviation on international and national routes to help improve value realisation especially in North-East and tribal districts
- To build a seamless national cold supply chain for perishables, inclusive of milk, meat and fish, the Indian Railways will set up a "Kisan Rail" – through PPP arrangements
- Increasing coverage of artificial insemination to 70 per cent
- India continues to be the largest producer of milk in the world. The milk production in the country was 187.7 million tonnes in 2018-19 growing 6.5 per cent over the previous year. Now it aiming doubling of milk processing capacity by 2025
- Integrated farming systems in rainfed areas shall be expanded. Multi-tier cropping, bee-keeping, solar pumps, solar energy production in non-cropping season will be added
- Elimination of Foot and Mouth disease, brucellosis in cattle and also peste des petits ruminants (PPR) in sheep and goat by 2025.
- Fish production proposes to raise to 200 lakh tonnes by 2022-23

## OTHER PROPOSALS

- Proposes to establish an Indian Institute of Heritage and Conservation under Ministry of Culture; it shall have the status of a deemed University to start with
- Five archaeological sites would be developed as iconic sites with on-site Museums. They are: Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).
- Proposed to evolve a robust mechanism for appointment including direct recruitment to Tribunals and specialised bodies to attract best talents and professional experts for speedy disposal of commercial and other disputes
- A task force to be appointed to recommend regarding lowering MMR and improving nutrition levels.
- Encouragement to states implementing plans for cleaner air in cities above 1 million.

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Agra, Baroda and Ghaziabad.

# **UNION BUDGET 2020**

*Lunawat & Co.*  
**Chartered Accountants**