

Critical issues in Union Budget 2020 & VSVT Bill 2020



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FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

Shared at

Panipat Branch of NIRC of ICAI

29th February 2020

BUDGET 2020

- ❖ **2 hours 40 mins speech**
- ❖ **104 amendments in Direct Tax**
- ❖ **Benefits / Compliances !!!!**

INDIVIDUAL / HUF NEW RATES

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

CONDITIONS

❖ Following deductions not allowed:

- Deductions from salaries (including Entertainment Allowance, standard deduction of Rs. 50,000 etc.) u/s 16.
- HRA-Section 10(13A).,
- Special allowance u/s 10(14),
- Allowances to MPs u/s. 10(17),
- s. 1,500 granted to parent for clubbing income of minor u/s Sec.10(32),
- Travel concessions u/s 10(5).
- Deduction of Interest on Borrowed Capital on SOP House property u/s 24(b).

CONDITIONS

- Standard Deduction in relation to family pension u/s 57 (iia)
- Any other deductions under Chapter VI-A except u/s 80JJAA and 80CCD (2)
- S. 10AA - SEZ units
- S. 32 (1)(iia) - Additional Depreciation
- S. 32 AD –Plt. Mch. in backward area
- S. 33 AB - Tea/Coffee/Rubber
- S. 33 ABA - Site restoration Fund
- S. 35 (1)(ii)/(iia)/(iii), 35(2AA), 35(2AB) -scientific research
- S. 35 AD – Specified Business
- S. 35CCC – Agriculture Extension project

CONDITIONS

- ❖ C/f loss / unabsorbed dep. from any earlier AY if such loss is attributable to any of above - not allowed. Loss would exhaust
- ❖ Loss under the head HP not to be set off against any other head
- ❖ Depreciation u/s 32 claimed except additional depreciation
- ❖ Unabsorbed additional depreciation not to be carried forward but to be adjusted in block of assets as on 1.4.2020
- ❖ No exemption or deduction for allowances or perquisite allowed by whatever name called provided under any other law for the time being in force
In case it has unit in IFSC – deduction u/s 80LA allowed

OPTIONS

- ❖ For person having income other than business – from year to year
- ❖ For person having income from business – any year – once opted cannot go out.... One time opting out allowed .. If opts out.. Cannot avail again
- ❖ If no business income then – option available year-wise
- ❖ Employee / Employer!!!!

RATES WITH 1.50 L DEDUCTION

Total Income (Rs.)	Old Regime Tax	New Regime Tax	Savings
7.50 Lacs	33800	39000	-5200
10 Lacs	85800	78000	7800
15 Lacs	226200	195000	31200
20 Lacs	382200	351000	31200
25 Lacs	538000	507000	31200
30 Lacs	694200	663000	31200

RATES WITH 3 L DEDUCTION

Total Income (Rs.)	Old Regime Tax	New Regime Tax	Savings
7.50 Lacs	0	39000	-39000
10 Lacs	54600	78000	-23400
15 Lacs	179400	195000	-15600
20 Lacs	335400	351000	-15600
25 Lacs	491400	507000	-15600
30 Lacs	647400	663000	-15600

DEPARTMENT'S DATA

- ❖ 5.8 Cr people filed ITR in 2018-19
- ❖ 5.3 Cr People claimed less than Rs. 2 lakh deduction
- ❖ Around 48 Lakh or 9% claimed deduction more than Rs. 2 L
- ❖ 3.77 L who claimed deduction exceeding Rs. 4 L

DEPARTMENT'S DATA

Total Income (Rs.)	No. of tax Payers	% growth over 2018
Upto 5 L	4.45 Cr	4% filed return but no tax
5 – 10 L	1.01 Cr	0.3%
10 – 20 L	32.11 L	11.1%
20 – 50 L	12.31 L	13.6%
50 – 1 Cr	2.25 L	14.5%
Above 1 Cr	1.08 L	12.3%
Total above 5 L	1.49 Cr	4%

DEPARTMENT'S DATA

- ❖ 8600 Individuals – income above 5 Cr
- ❖ 3.2 L Individuals – above 50 L
- ❖ Average tax by salaried person – Rs. 76306/- vs. non-salary Rs. 25753/-

DDT

- ❖ 115-O not applicable from 1.4.2020
- ❖ S. 10(34) / (35)- Omitted
- ❖ S. 194 / 194 K - TDS
- ❖ S.195
- ❖ S.2(22)(e) – back to square 1
- ❖ S. 57 – interest exp. 20%
- ❖ S. 80 M reintroduced
- ❖ S. 14A !!!!

SALARY

- ❖ 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.
- ❖ Consequently any annual accretion in form of interest, dividend or any other amount of similar nature on such taxable Employer's Contribution during PY shall also be treated as perquisite

44AB

- ❖ Limit 1 Cr to 5 Cr !!
- ❖ Limit of 5 Cr Only if:
 - ❖ Total receipts in cash do not exceed 5%; and
 - ❖ Total Payments in cash do not exceed 5%

44AB

❖ Receipts:

- ❖ 4 Crs sales out of which 15 Lacs in Cash
- ❖ Partner introduces – 10 Lacs in cash
- ❖ Loans – 15 Lacs by NEFT
- ❖ Is tax audit u/s 44AB required?
 - ❖ Yes as total receipts - 425 L ; cash – 25L
- ❖ Is it mandatory or optional??

❖ Mandatory

S. 139

- ❖ Partner / Working Partner
- ❖ ITR date changed for 30th September ones to 31st October

DUE DATES OF AR

❖ One Month prior to due date of filing of ITR u/s 139(1) – 30th September

- 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 NR or Foreign Company.
- Report referred to in Section 50B in case of slump sale.
- Form 29B (MAT) u/s 115JB, Form 29C (AMT) u/s 115JC,
- U/s. 115VW (Tonnage Tax)
- 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

TDS

❖ Limits for Individual / HUF

❖ 194A

❖ 194C + contract manufacturing

❖ 194H

❖ 194-I

❖ 194J + FTS 2%

TDS – 194 - O

- ❖ Payment of certain sums by e-commerce operator to e-commerce participant
 - ❖ TDS @ 1% on sale or service or both
 - ❖ Individual / HUF no TDS if total sale / service do not exceed 5 L and furnish PAN / Aadhaar
 - ❖ If no PAN – 5%
 - ❖ Exemption for amount received or receivable by an e-com operator for hosting advertisements or providing any other service as w.r.t sale or services or both
- S. 197 benefit made available

TCS

Particulars	Seller	Time of Deduction	Amt	TCS Rate
Remittance given out of India under LRS of RBI	Authorized Dealer of Foreign Exchange	Debit in books of a/cs or receipt of payment, whichever is earlier	7 L	5%
Buyer of Overseas Tour Package	Seller	Debit in books of a/cs or receipt of payment, whichever is earlier	-	5%
Sale of any goods to buyer	Seller (Turnover > 10 Crs)	At the receipt of Payment	50 L	0.1%

FMV OF IMMOVABLE PROPERTY

- ❖ S. 55 – cost of acquisition – FMV as on 1.4.2001
 - ❖ Not to exceed Stamp duty value, if any as on 1.4.2001
- ❖ Sale consideration cushion increased from 5% to 10% in:
 - ❖ S. 43CA
 - ❖ S. 50C
 - ❖ S. 56(2)

CHARITY

- ❖ 5 year registration / renewal
- ❖ Amendments in:
 - ❖ S. 12A / 12AA
 - ❖ New Section 12AB
 - ❖ S. 10(23C)
 - ❖ S. 10(46)
 - ❖ S. 35
 - ❖ S. 80G

CHARITY

Sub-Cl.	Particulars	Time Limit for making application	Time for Granting Registration
(i)	Where trust or institution is registered u/s 12AA (As on date)	Within 3 months from the date on which this clause has come into force	3 months from end of month when application was received
(ii)	Where trust or institution is registered u/s 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 u/s 12AB	<ul style="list-style-type: none"> • 6 months prior to expiry of period of provisional registration or. • within 6 months of commencement of its activities, whichever is earlier; 	
(iv)	Where registration of trust or institution has become inoperative due to first proviso to section 11(7)	At least 6 mnths prior to commencement of AY from which said registration is sought to be made operative;	
(v)	Where trust or institution has adopted or undertaken modifications of objects	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 commencement of PY relevant to AY from which said registration is sought	1 month from the end of month in which application was received

S. 80G

- ❖ Institution or fund already approved u/s 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
- ❖ 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 u/s 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 shall be levied of Rs. 200 p.d u/s u/s 234G & non or inaccurate filing penalty of Rs.10K minimum and Rs. 1 L maximum u/s 271K

PENALTY – FAKE ENTRY

- ❖ S. 271AAD introduced for:
 - ❖ False entry, or
 - ❖ Omitting any entry, etc
- ❖ in books of accounts being 100% on:
 - ❖ Person making entry in his books
 - ❖ Person causing such entry in the books

FAKE ENTRY???

❖ Includes:

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

MISCELLANEOUS

- ❖ S. 285BB – Annual Information Statement – S. 203AA deleted
- ❖ S. 119A – CBDT to adopt and declare 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

Vivad Se... Vishwas Tak Bill 2020

VSVT BILL 2020

- ❖ As on 30th November, 2019, there are about 4,83,000 appeals pending at various levels.
- ❖ Tax arrears to the tune of about Rs. 9.32 lakh crore are locked up in these appeals
- ❖ Direct Tax Vivad se Vishwas Bill 2020 introduced on 5th February 2020
- ❖ Amendment to the Bill approved by the Cabinet on 12th February 2020. Approval yet by Parliament.

WHO CAN FILE

- ❖ Appellant:
 - ❖ Any Person or
 - ❖ Income-tax authority
 - ❖ Who has filed appeal before the **appellate forum** and such appeal is pending on 31st January 2020
 - ❖ Where Orders for which time for filing appeal has not expired on 31.01.2020
 - ❖ Where Case is pending before Dispute Resolution Panel (DRP) on 31.01.2020
 - ❖ Cases where DRP issued direction on or before 31.01.2020 but no order has been passed
 - ❖ Cases where assessee filed revision (Section 264) on or before 31.01.2020
 - ❖ Search case if the disputed demand is less than Rs. 5 Crore per Assessment Year-wise

WHO CAN FILE

- ❖ **Appellate Forum:**
 - ❖ **Supreme Court or**
 - ❖ **High Court or**
 - ❖ **Income Tax Appellate Tribunal or**
 - ❖ **Commissioner (Appeals)**
 - ❖ **Under Arbitration, Mediation, etc.**

FOR WHAT ??

- ❖ Disputed Tax
- ❖ Disputed Interest
- ❖ Disputed Penalty
- ❖ Disputed Fee
- ❖ Disputed TDS / TCS

AMOUNT PAYABLE

S. No	Nature of tax arrear	By 31.3.2020	On or After 31.3.2020 till last date
	Where the tax arrear is aggregate of: <ul style="list-style-type: none">•Disputed tax,•Interest chargeable or interest charged on such disputed tax•Penalty levied or leviable on such disputed tax	Amt of Disputed Tax	Tax Disputed and 10% on Disputed Tax Provided that where 10% of disputed tax exceeds aggregate amt of tax interest & penalty, excess shall be ignored
2	Where the tax arrear relates to: <ul style="list-style-type: none">•Disputed interest,•Disputed penalty or•Disputed fee	25% of: <ul style="list-style-type: none">•Disputed interest,•Disputed penalty or•Disputed fee	30% of: <ul style="list-style-type: none">•Disputed interest,•Disputed penalty or•Disputed fee

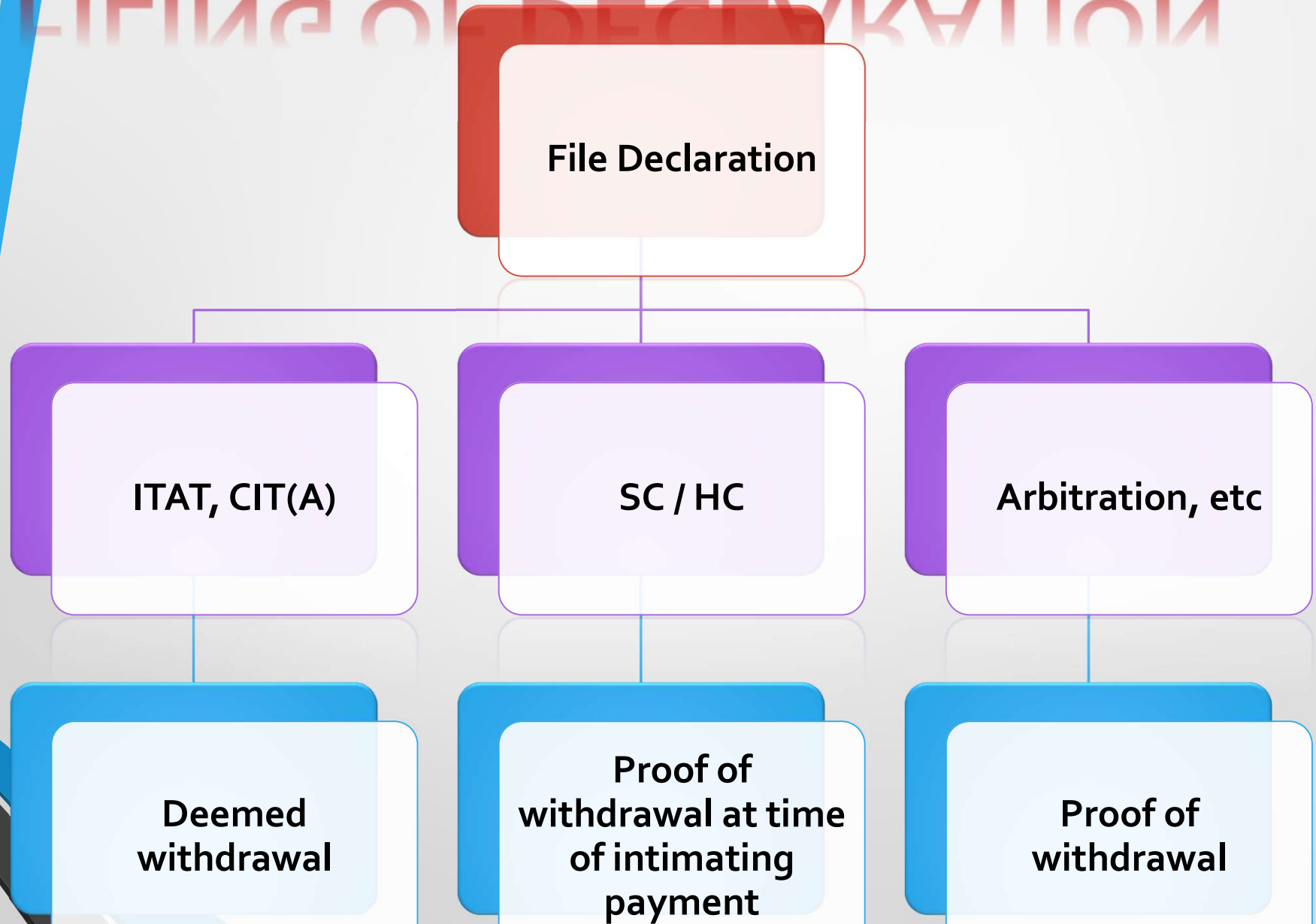
AMOUNT PAYABLE !!!

Appeal by	By 31.3.2020	On or After 31.3.2020 till last date
Tax Payer	<ul style="list-style-type: none">• 100% of disputed tax (125% in case of search cases) – Penalty & interest waived• 25% of disputed penalty, interest or fee in case of disputed penalty, interest or fee only – Balance 75% waived	<ul style="list-style-type: none">• 110% of disputed tax (135% in case of search cases) – Penalty & interest waived• 30% of disputed penalty, interest or fee in case of disputed penalty, interest or fee only – Balance 70% waived
Dept	<ul style="list-style-type: none">• 50% of the disputed tax (62.5% of in case of search cases) – Penalty & interest shall be waived• 12.5% of disputed penalty, interest or fee in case of disputed penalty, interest or fee only – Balance 87.5% waived	<ul style="list-style-type: none">• 55% of disputed tax (67.5% in case of search cases) – Penalty & interest waived• 15% of disputed penalty, interest or fee in case of disputed penalty, interest or fee only – Balance 85% waived

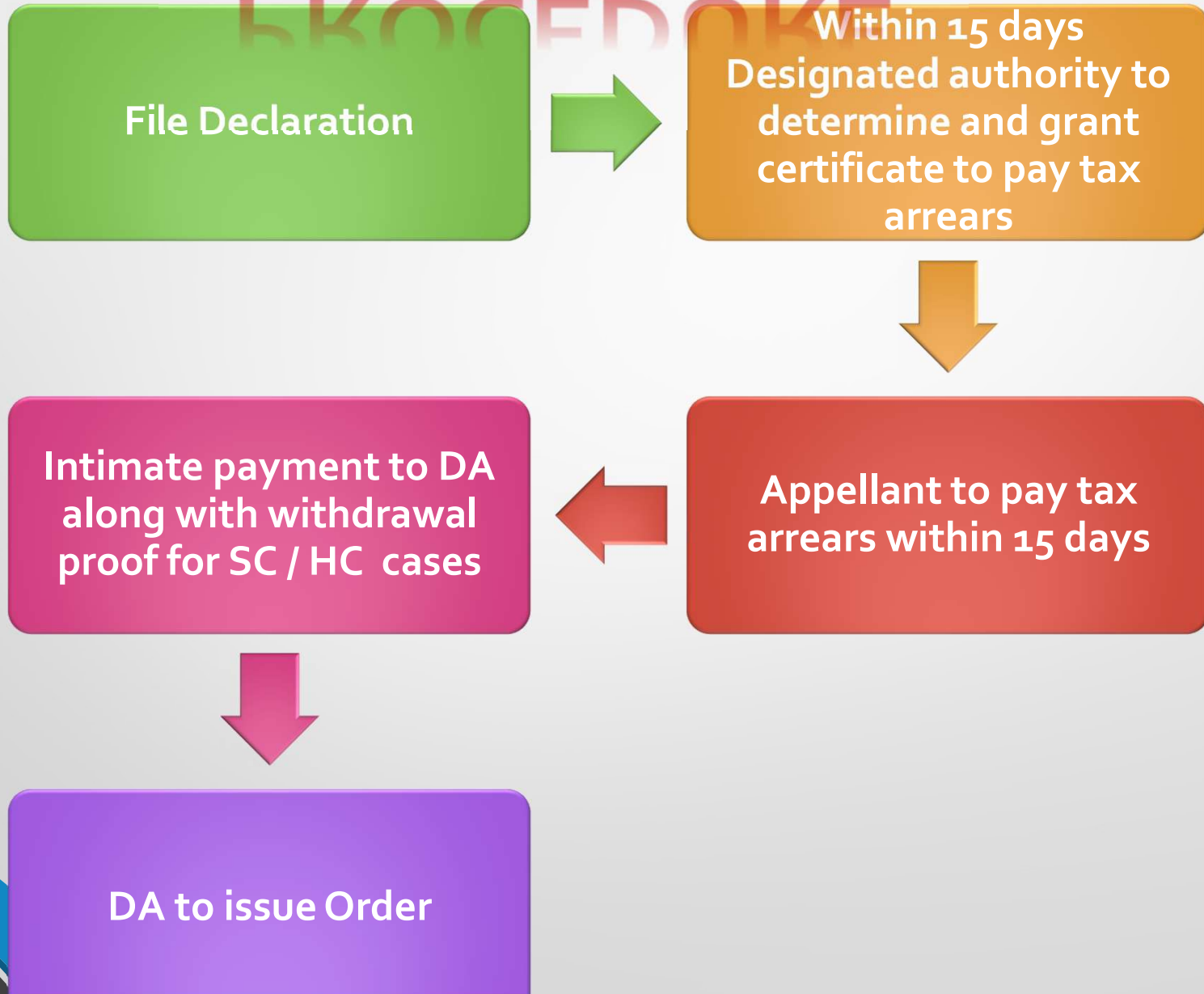
AMOUNT PAYABLE

- ❖ Where AO has reduced returned loss by making, taxpayer shall have an option:
 - ❖ Either pay notional tax on amount by which the loss has been reduced & carry forward the claimed loss without reduction, or
 - ❖ Accept the reduced carry forward of loss without making any payment under the Scheme.
- ❖ Same mechanism would apply for reduction in MAT credit
- ❖ Settling of dispute regarding transfer pricing adjustment would not have any effect on secondary adjustment and taxpayer would be required to repatriate fund to India in respect of settled transfer pricing adjustment

FILING OF DECLARATION



PROCEDURE



EXCLUSIONS

- ❖ Search case if disputed tax is more than Rs. 5 crore
- ❖ Prosecution cases under the I-Tax Act or IPC filed by Department
- ❖ Cases relating to undisclosed foreign income and assets
- ❖ Cases completed on the basis of information from foreign countries
- ❖ Cases covered under Narcotic Drugs and Psychotropic Substances Act, Special Courts Act, the Unlawful Activities (Prevention) Act, 1967, the Prevention of Corruption Act, the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974, the Prevention of Money Laundering Act, 2002 or the Prohibition of Benami Property Transactions Act, 2016.

REFUND

- ❖ If the amount paid by taxpayer before filing declaration **exceeds the amount payable under the Scheme**, the taxpayer would be granted the refund for such excess amount
- ❖ However, no interest to be paid on the same

CONSEQUENCES

- ❖ Appeals/writs/objections of taxpayers & department in respect of disputed income / interest / penalty / fee pending before the CIT (Appeals), DRP, ITAT, High Court or Supreme Court shall be withdrawn.
- ❖ Immunity will be granted from institution of any proceeding for prosecution for any offence under Income-tax Act in respect of matters covered in the declaration and also provide immunity from imposition of penalty & levy of interest.
- ❖ Will not set any precedence and neither the Department nor the taxpayer can claim in any other proceedings that the taxpayer or the Department has conceded its tax position by settling the dispute.

GO FOR IT

- ❖ Avail the Scheme
- ❖ Get the Appellants prepared for the same
- ❖ If, required contact AO to compute tax arrears

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answer

Q. Eligibility of input tax credit of CESS on Coal

Answered By **CA Raman Khatuwala**

8 views

Question added **1 hour** ago **Income Tax** By **Vijay Kumar**, CA, New delhi

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answers

Q. How I file income tax return

11 views

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THANKS



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